Property Tax Bureau
Informational Guideline Release (IGR) No. 02-205
March 2002

OPTIONAL COST OF LIVING ADJUSTMENT FOR FISCAL YEAR 2003 EXEMPTIONS

(G.L. Ch. 59 §§5(17), (17C), (17C½), (17D), (17E), (41), (41B), (41C) and (41D))

This Informational Guideline Release (IGR) informs assessors of the cost of living adjustment to be used in Fiscal Year 2003 by communities that have adopted certain local options for annually increasing the:

- Exemption amount granted to senior citizens and surviving spouses and minors under Clauses 17, 17C, 17C½ or 17D.
- Asset limits for determining if senior citizens and surviving spouses and minors qualify for exemption under Clauses 17, 17C, 17C½ or 17D.
- Income and asset limits for determining if senior citizens qualify for exemption under Clauses 41, 41B or 41C.

Topical Index Key:	Distribution:
Exemptions	Assessors

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(G.L. Ch. 59 §§5(17), (17C), (17C½), (17D), (17E), (41), (41B), (41C) and (41D))

SUMMARY:

The Commissioner of Revenue has determined the cost of living adjustment to be used in Fiscal Year 2003 by communities that have adopted certain local options. Those options allow communities to increase annually the:

- Exemption amount granted to senior citizens and surviving spouses and minors under Clauses 17, 17C, 17C½ or 17D.
- Asset limits for determining if senior citizens and surviving spouses and minors qualify for exemption under Clauses 17, 17C, 17C½ or 17D.
- Income and asset limits for determining if senior citizens qualify for exemption under Clauses 41, 41B or 41C.

The cost of living adjustment (COLA) is measured by the increase in the Consumer Price Index (CPI) during the previous calendar year.

The cost of living adjustment for FY2003 exemption purposes is **4.3%.**

GUIDELINES:

I. ADJUSTED EXEMPTION AMOUNT FOR CLAUSE 17s

Communities have the option of annually increasing the amount of the exemption granted to certain senior citizens and surviving spouses and minors under G.L. Ch. 59 §5, Clauses 17, 17C, 17C½ or 17D by any percentage up to the COLA determined by the Commissioner of Revenue. G.L. Ch. 59 §5 provision added by Ch. 181 of the Acts of 1995.

A. **Local Adoption**

1. Acceptance

The COLA is used to increase the exemption amount only in those communities that have accepted a G.L. Ch. 59 §5 provision added by Ch. 181 of the Acts of 1995. Acceptance is by a vote of town meeting, town council or city council with the mayor's approval where required.

2. Annual Percentage Increase

The percentage by which the exemption amount is increased each year must also be established by vote of town meeting, town council or city council with the mayor's approval where required. The annual increase cannot exceed the actual COLA for any year. There are several ways in which a community may establish the annual increase including, for example, the use of:

- A percentage of the prior year's COLA (*e.g.*, The annual increase will be 100% (or 75%, 50%, etc.) of the COLA).

- A capped increase (*e.g.,* The annual increase will be 2.5%, or the COLA, whichever is less).

Annual increases established in this manner apply until a new vote is taken establishing a different increase.

Alternatively, an annual vote may be taken to establish the specific percentage increase for that particular year once the Commissioner of Revenue has determined the actual COLA for the preceding year.

B. **Annual Exemption Amount**

The increases resulting from adoption of this provision operate cumulatively. Each year's exemption amount, after application of the voted percentage increase, becomes the base to which the next year's increase applies.

Example

A community **first** adopts the local option provision for FY2002 and votes to increase the exemption annually by 100% of the COLA. In FY2002, the base $175 exemption increased by 4.9% and eligible taxpayers received an exemption of $183.58 ($175 x 1.049). The FY2003 exemption amount is now calculated by applying the FY2003 COLA to $183.58. That results in a FY2003 exemption amount of $191.47 ($183.58 x 1.043).

The attached chart shows the FY2003 exemption amount for communities that have increased the exemption amount by 100% of the COLA every year since this optional provision first became available in FY97.

If an additional optional exemption is granted for FY2003 under Chapter 73, Section 4, of the Acts of 1986, the additional amount is based on the adjusted exemption amount. In the example above, any optional exemption granted for FY2003 is based on $191.47, rather than $175.

C. State Reimbursements

For cities and towns operating under Clauses 17C, 17C½ and 17D, there will be no additional state reimbursement for any higher exemption amount granted under this provision. Reimbursements for those communities are fixed at the amount they received in the last year they operated under Clause 17.

II. ADJUSTED ASSET LIMIT FOR CLAUSE 17s

Communities have the option of annually increasing the amount of assets certain senior citizens and surviving spouses and minors may have and qualify for an exemption under G.L. Ch. 59 §5(17), (17C), (17C½) or (17D) by the COLA determined by the Commissioner of Revenue. G.L. Ch. 59 §5(17E).

A. Local Adoption

The COLA is used to increase the asset limit only in those communities that have accepted G.L. Ch. 59 §5(17E). Acceptance is by a vote of town meeting, town council or city council with the mayor's approval where required.

B. Annual Exemption Amount

The asset limit increases resulting from adoption of this provision operate cumulatively. Each year's new limit, as increased by the COLA, becomes the base to which the next year's COLA is applied.

Example

A community that operates under Clause 17D **first** adopts the local option provision for FY2002. In FY2002, the base asset limit of $40,000 was increased by 4.9% and taxpayers qualified for the exemption with assets up to $41,960 ($40,000 x 1.049). The FY2003 asset limit is now calculated by applying the FY2003 COLA to $41,960. That results in a FY2003 asset limit of $43,764 ($41,960 x 1.043).

The attached chart shows the FY2003 asset limits for Clause 17, 17C, 17C½ and 17D exemptions in communities that have applied the COLA adjustment every year since this optional provision first became available in FY02.

C. State Reimbursements

There will be no state reimbursement for any additional exemptions granted as a result of this provision. Reimbursements for cities and towns operating under Clauses 17C, 17C½ and 17D are already fixed at the amount they received in the last year they operated under Clause 17.

III. ADJUSTED INCOME AND ASSET LIMITS FOR CLAUSE 41s

Communities have the option of annually increasing the amount of the income and assets certain senior citizens may have to qualify for an exemption under G.L. Ch. 59 §5(41), (41B) and (41C) by the COLA determined by the Commissioner of Revenue. G.L. Ch. 59 §5(41D).

A. Local Adoption

The COLA is used to increase the income and asset limits only in those communities that have accepted G.L. Ch. 59 §5(41D). Acceptance is by a vote of town meeting, town council or city council with the mayor's approval where required.

B. **Annual Exemption Amount**

The income and asset limit increases resulting from adoption of this provision operate cumulatively. Each year's new limit, as increased by the COLA, becomes the base to which the next year's COLA is applied.

Example

A community that operates under Clause 41C **first** adopts the local option provision for FY2002.

In FY2002, the base income limits of $13,000 for single taxpayers and $15,000 for married taxpayers were increased by 4.9% and taxpayers qualified for the exemption with income of up to $13,637 ($13,000 x 1.049) if single and $15,735 ($15,000 x 1.049) if married. The FY2003 income limits are now calculated by applying the FY2003 COLA to $13,637 and $15,735. That results in FY2003 income limits of $14,223 ($13,637 x 1.043) and $16,412 ($15,735 x 1.043).

In FY2002, the base asset limits of $28,000 for single taxpayers and $30,000 for married taxpayers were increased by 4.9% and taxpayers qualified for the exemption with assets of up to $29,372 ($28,000 x 1.049) if single and $31,470 ($30,000 x 1.049) if married. The FY2003 asset limits are now calculated by applying the FY2003 COLA to $29,372 and $31,470. That results in FY2003 asset limits of $30,635 ($29,372 x 1.043) and $32,823 ($31,470 x 1.043).

The attached chart shows the FY2003 income and asset limits for Clause 41, 41B and 41C exemptions in communities that have applied the COLA adjustment every year since this optional provision first became available in FY02.

C. **State Reimbursements**

There will be no state reimbursement for any additional exemptions granted as a result of this provision. Reimbursements for cities and towns operating under Clauses 41, 41B and 41C are already fixed at the amount they received in the last year they operated under Clause 41.

COST OF LIVING ADJUSTMENTS

Clause 17, 17C, 17C½ and 17D Exemption Amount

Assumes 100% Cost of Living Adjustment Adopted Beginning in FY97

FISCAL YEAR	MAXIMUM COLA%	EXEMPTION AMOUNT	REFER TO IGR
1996		$175.00	
1997	2.39%	$179.18	96-205
1998	3.00%	$184.56	97-204
1999	2.80%	$189.73	98-205
2000	2.30%	$194.09	99-205
2001	3.50%	$200.88	00-206
2002	4.90%	$210.72	01-205
2003	4.30%	$219.78	02-205

COST OF LIVING ADJUSTMENTS

Clause 17, 17C, 17C½ and 17D Asset Limits

Assumes Cost of Living Adjustment Adopted Beginning in FY02
(Rounded to nearest whole dollar)

FISCAL YEAR	ANNUAL COLA %	CL. 17	CL. 17C	CL. 17C½	CL. 17D	REFER TO IGR
2001		$20,000	$40,000	$40,000	$40,000	
2002	4.90%	$20,980	$41,960	$41,960	$41,960	01-205
2003	4.30%	$21,882	$43,764	$43,764	$43,764	02-205

COST OF LIVING ADJUSTMENTS

Clause 41, 41B and 41C Income and Asset Limits

Assumes Cost of Living Adjustment Adopted Beginning in FY02
(Rounded to nearest whole dollar)

FISCAL YEAR	ANNUAL COLA %	CL. 41	CL. 41B	CL. 41C	REFER TO IGR
2001		Single • Income $6,000 • Assets $17,000 or $40,000 (with home alternate) Married • Income $7,000 • Assets $20,000 or $45,000 (with home alternate)	Single • Income $10,000 • Assets $20,000 Married • Income $12,000 • Assets $23,000	Single • Income $13,000 • Assets $28,000 • Married • Income $15,000 • Assets $30,000	
2002	4.90%	Single • Income $6,294 • Assets $17,833 or $41,960 (with home alternate) Married • Income $7,343 • Assets $20,980 or $47,205 (with home alternate)	Single • Income $10,490 • Assets $20,980 Married • Income $12,588 • Assets $24,127	Single • Income $13,637 • Assets $29,372 • Married • Income $15,735 • Assets $31,470	01-205
2003	4.30%	Single • Income $6,565 • Assets $18,600 or $43,764 (with home alternate) Married • Income $7,659 • Assets $21,882 or $49,235 (with home alternate)	Single • Income $10,941 • Assets $21,882 Married • Income $13,129 • Assets $25,164	Single • Income $14,223 • Assets $30,635 • Married • Income $16,412 • Assets $32,823	02-205